

**Meriwether Lewis  
Electric Cooperative**

May 24, 2006

Chairman William Sansom  
TVA Board of Directors  
400 West Summitt Hill Drive  
Knoxville TN 37902

Dear Chairman Sansom:

My name is Hal Womble, CEO of Meriwether Lewis Electric Cooperative ("MLEC"). The press of business prevented me from attending your May 18<sup>th</sup> hearing in Hopkinsville, Kentucky; however, I read the comments of "noticing distributors", and the others who presented. MLEC's position is somewhat different and wishes to independently comment for your information.

**Power Contract Termination:** MLEC was the first power distributor to give notice of contract termination in 2002. It should be noted the reason was purely economics and did not reflect negatively upon TVA in any fashion. MLEC received delivered wholesale power offers about 20% below TVA, including transmission. TVA staff's mantra that the offer was not "apples to apples" notwithstanding; the competing offer(s) were entirely comparable. MLEC and our consultants concurred in that assessment.

In 2004 MLEC chose to rescind the notice of termination and sign a new power contract that retained the "rolling" 5 year notice proviso while freeing MLEC to set its retail rates. The "new" contract was a restatement of the old and did not change the term or pricing of our power supply. It is still the "rolling" 5 year notice of termination.

MLEC's Board of Directors chose to rescind neither because of pricing nor a newfound confidence in TVA. Rather we chose to do that which, in the opinion of the Board, was the least divisive course of action for our membership. There was concern that if the Agency closed Johnsonville, Tennessee plant (the oldest TVA power plant) coincident with a change in our power supplier might increase local animus and confusion.

**Transmission Service:** TVA Senior Vice President of Customer Service Ken Breeden uses the analogy "...distributors who have left TVA are like those checking out of a hotel and then going back to use the pool and exercise room...they cannot expect to leave and selectively continue to use some TVA facilities...". With all due respect to Mr. Breeden we completely disagree. Instead of seeing the transmission issue as a hotel it is more like an interstate highway. Extending his analogy any state could simply seize its portion of the nation's interstate highway system and convert it into a toll road for

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economic purposes, ignoring the needs of those "geographically challenged" by their actions. TVA designed, financed and constructed transmission facilities but they did so under the umbrella of being a U.S. government concern involved in interstate commerce, using the U.S. Treasury's "AAA" bond rating and often federal eminent domain proceedings to close the deal. All of the above elements are common to interstate highway projects not hotel construction.

Secondly, in 1997 TVA approached power distributors to support a rate increase in exchange for adopting the Agency's infamous "5&5" contract. The 5&5 contract offered participating distributors an option to terminate their contract, ostensibly to pursue other power options, with impunity. That clause alone was the motivation behind "noticing distributors" action(s). If a "landlocked" distributor (like MLEC) lacks the accompanying right to pursue other power suppliers then TVA is guilty of bargaining in bad faith in the 1997 power contract negotiations. In addition to being afoul of the principles of contract law it flunks the "absurdity as a premise" test.


From a practical viewpoint the underlying issue of the "TVA Fence" is irrelevant. Warren RECC ("Warren") has contracted with East Kentucky Power Cooperative to become a member and receive power from that power supply cooperative. Whether or not Congress ultimately deals with the matter Warren's action alone renders the fence question moot by moving the fence south to the Kentucky -Tennessee border. The fence is already down.

In summary, MLEC has not decided anything...whether to go or to stay with TVA. MLEC is split on the question and the only thing decided is not to decide it now. We hope TVA survives and does well in the future, but a prudent MLEC "stays short and flexible" regarding power supply. Anything is possible; five years TVA contract notice is only one more year than an MLEC Board member's 4 year term of office.

Thank you for the opportunity to comment. Yours is a daunting task and we stand willing to help.

Sincerely,

MERIWETHER LEWIS ELECTRIC COOPERATIVE

  
Hal Womble  
President & CEO